

# An Analysis Of The Concept Of Derogation In Regional And Continental Integration: A Case Of Zimbabwe?

Oswell Binha \*, Kudzanai Mwakurudza \*\*

\* (PhD Student), Africa University, College of Business Peace Leadership and Governance Institute of Peace, Leadership and Governance Course in Global Governance and Integration

\*\* Economic Analyst

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**Abstract-** Like any other continent, Africa has embraced continental integration to create continental economies of scale in pursuit of sustainable economic growth and development. The notion of resource pooling, collaborative capacity development, complementary management of resource endowments, and internal markets will provide an opportunity to create a robust African economy capable of overcoming poverty, unemployment, and social distress.

The African development architecture, as created by the founding nationalists, neglects the concept of continental collective capacity development for shared economic performance, enhanced and simplified movement of persons and goods, development of common regional infrastructure, promotion of conducive macroeconomic environment favourable to the facilitation of economic development amongst African states.

The recent realisation by Pan-African Institutions that deeper intra Africa collaboration is possible beyond matters of continental peace and security to engendering macroeconomic convergence is a departure from the usual rhetoric of national sovereignty. Research has shown that 80 cents out of every dollar made in Africa are a result of trade. The realisation that continental integration remains a logical option came about against a background of efforts to railroad other multi-lateral arrangements with Africa, particularly on raw material trade. Progress has been made in creating African regional trade blocs, albeit with inherent constraints primarily driven by turfism, historical colonial attachments, a leadership gap and general institutional weaknesses in member-states. However, the general failure of rules-based economic engagements in Africa is of grave concern, militating against vast potential Africa has to increase intra African trade.

This paper shall cross-examine and engage in an in-depth analysis on the concept of Derogation in Integration, putting into perspective Zimbabwe's derogation experiences in SADC, COMESA and the CFTA, whilst making comparative scrutiny with cases in other continents. Derogation by nature impacts the country seeking the Derogation and retards progress with the group committed to the cause of the economic cooperation.

**Index Terms-** derogation, continental free trade area, industrialisation, regional integration, bilateral agreements

## I. INTRODUCTION

Zimbabwe is a land-linked country located at the centre of Sub-Saharan Africa. A modest population of approximately 15million inhabitants has an averagely developed infrastructure by regional standards. It can be described as a country in immense political dire straits with an economy performing worse than most countries at combat war. Whilst there is generally an outcry on 'economic sanctions' imposed on the country by the West and their allies, a significant number of national challenges faced are self-inflicted, resulting in consistent negative economic growth, dwindling per capita incomes, high levels of inflation, very high unemployment and underemployment, poor agrarian sector performance leading to food insecurity of astronomical proportions, foreign exchange shortages, dead economic enablers and public sector decay.

In its medium-term vision, Zimbabwe aspires to be an upper-middle-income country by the year 2030. It, therefore, translates to a consistent annual double-digit growth to 2030. The vision statement competently describes indicators and the character of an upper-middle-income country. These include access to high-quality education, health, low levels of unemployment, effective debt management policies, incremental economic growth thresholds, bankability of both fiscal and monetary policy standards, good corporate governance, reporting and accountability, and macroeconomic stability. However, weakening national institutions, unavailability of efficient and correct productive infrastructure for both industrialisation and trade, weak economic enablers and deepening corruption against a crippling national debt Are components militating against all the efforts to create a developmental state aspiring to be an upper-middle-income country by 2030.

The traditional Zimbabwean economy is agriculture-based, with the most significant population surviving on agriculture-related activities. Backward and forward integration in agriculture value chains has been destroyed, particularly those that provided the much-needed sophisticated industrial linkages for value addition and beneficiation. Historically these linkages are associated with excellent agriculture value-added and manufactured exports contributing significantly to economic growth.

Trade and investment opportunities existed in the services industry, banking and tourism. Other similar opportunities are in horticulture, agricultural commodities and minerals. Intrinsic

linkages with other sectors, particularly manufacturing, mining and agro-processing, developed a compact interdependent economy. Industrial development and trade policy mix enhanced Zimbabwe chances of achieving the country's productivity and trade objectives.

Zimbabwe is a member of the WTO, has been a GATT contracting party. Zimbabwe domesticated the WTO agreement to the same status as all treaties the country has entered into with other parties. Zimbabwe once belonged to the ACP, G90, and the G33 groups, is a member of the AU and belongs to regional economic communities, COMESA, SADC, and the Tripartite, (COMESA, EAC and SADC).

Zimbabwe entered bilateral arrangements with Botswana, DR Congo, Mozambique, Namibia, Malawi, and South Africa. Whilst these bilateral arrangements remain in force, the introduction of the SADC Free Trade area toned down these bilateral agreements in some areas. The country was delisted from the US-driven AGOA, EPA was negotiated and ratified under ESA and has a trade and investment technical cooperation with China. The country is a signatory to Multilateral Guarantee Agency, Overseas Private Investment Cooperation (OPIC), International Convention of Settlement of Investment Disputes, New York Convention on the enforcement of foreign arbitral awards and the United Nations Convention on International Trade Law. Some of these treaties may have fallen on the wayside and overtaken by global and continental trade developments

The Zimbabwe constitution guarantees the protection of private property. This extends to all the assets acquired under bilateral investment promotion and protection with Africa, Europe, South America and the Middle East. These commitments came under the spotlight during the land seizures, with white commercial farmers winning all the cases heard before regional courts, particularly the SADC tribunal.

The chief disconnect between intra -African regional and continental trade and trade between Africa and other multi-lateral organisations is Africa's inability to conform to rules-based trading principles. The group of (G7) approach to trade is traditionally based on a set of fundamental principles which all member countries agreed, namely the commitment to fight protectionism and the prominence of the rules-based multilateral trading system, anchored in the WTO (Françoise NICOLAS, Sébastien JEAN 2019) Africa, in particular, is unable to institute trade sanctions on other African countries because of various errors of omission or commission. This becomes an inherent weakness in the economic relations of African states.

## II. THE PROBLEM

There is a nexus between economic performance, competitiveness, and macroeconomic stability and country competitiveness in regional and continental integration. National competitiveness is achieved through collective energies harnessed across national economic sectors to develop an exclusively competitive Zimbabwean economy. The collective effort is ordinarily government-led. Government leadership is demonstrated by providing national engagement platforms, assuring all stakeholders that the Government has a genuine commitment to creating a robustly competitive Zimbabwe. While Zimbabwe plays a significant role in creating regional and

continental integration frameworks (at both secretarial and strategic levels), the country remains inherently weak in national trade and industrialisation capacities. The IMF notes with concern that weak financial reporting in the Zimbabwean Government persistently erodes economic confidence. Sharing financial information among government ministries to enhance public sector coordination and organisation stands out as a factor in the lack of financial accountability in local authorities and all state-owned enterprises. The integrity of critical national statistics and public information is put under the spotlight, particularly regarding unrestricted use of statutory instruments, imposition of subsidies, budget overruns, and liability management.

The creation of conditions for market failure in the country sends erroneous signals to external markets. Role clarity and misplaced national priorities in Zimbabwe are the elephants in the leaving room, lending all economic policies ineffective. Repeated Loss of value of investments, pensions and other national assets deepens uncertainty coupled with growing institutionalised corruption. A compromised monetary regime and crippling national debt contribute to the assessment that Zimbabwe is a highly high-risk investment destination. Generally, SADC recognises that attracting foreign direct investment in the region is based on competition among the member states. The competition is in sub-Saharan Africa and other nations globally. SADC further recognises that sufficient conditions are necessary: a stable political and macroeconomic environment, favourable investment and trade regulations, quality economic infrastructure, qualified human capital base, and a transparent legal system. Integration of the national markets into an expanded regional market with a higher level of liquidity; and A harmonised investment regime subtends a credible macroeconomic environment.

Consequently, Zimbabwe's Investment share continues to drop compared to other countries in the region. Countries such as Angola, DRC, Botswana and little Lesotho continue to do well in investment attraction. The company mortality rate in Zimbabwe is high, and all businesses continue to operate in survival mode. The country cannot access or borrow offshore because of a bad repayment record, among other effects.

One, therefore, develops enthusiasm to evaluate whether there is any merit in Zimbabwe seeking repeated derogations in regional and continental integration. Zimbabwe continues to fair lowly in regional growth statistics in SADC and COMESA. Repeated denial of the country is highly indebted and poor, disrespecting most of its bilateral and multi-lateral commitments continues to militate against its potential for full competitiveness. Will derogation assist in restoring the county's opportunities for regional integration.

Finally, the country continues to ascend to all regional and continental integration protocols, which negatively impact national revenue performance, particularly trade-related duties and taxes. Further, according to the confederation of Zimbabwe industries, capacity utilisation in the manufacturing sector remain constrained and focus tend to show a consistent trend till 2027 unless a robust strategy to deal with the performance of economic enablers is implemented. Generally, Zimbabwe is complicit in domesticating regional policies. Domestication of regional and continental policies ensures the harmonisation of regional trade regimes. Zimbabwe requested a derogation from the AfCFTA for 15 years. Is repeated Derogation the solution?

### III. METHODOLOGY

This paper shall engage with trade experts, writings of trade economists, regional economic communities in and out of Africa to interrogate the concept of trade derogation. Best practice and case studies shall enhance the researcher to provide a critical analysis on whether Zimbabwe has optimally utilised the derogation concept in its pursuit to recalibrate the Zimbabwean economy for regional competitiveness.

Regional and continental integration aspires to increase intra and interregional trade. Member states are at different levels of growth and size. The study will also incorporate various trade protocols entered into and ratified by member states, tariffs liberalisation, and the systems of nontariff barriers related to reciprocity in integration. The study will then provide a qualitative evaluation of the impact of derogations in implementing trade liberalisation and ascertain whether Derogation is an appropriate tool employed by member states in seeking a waiver to deal with potential inherent constraints they face in participating in integration processes.

### IV. RESEARCH QUESTIONS

Is regional and continental integration advantageous to Zimbabwe?

Does regional or continental integration enhance the economic wellbeing of Zimbabwe?

Has Derogation assisted Zimbabwe for reintegration?

Is Integration Derogation effective where rules-based trade relations, reciprocation and national sovereignty play a central role?

#### Hypothesis

Regional integration derogation is not significantly beneficial to Zimbabwe

#### Objectives

- To evaluate whether Zimbabwe derives direct or indirect benefits in regional and continental integration.
- To ascertain whether regional and continental integration is purely an economic phenomenon to Zimbabwe
- To provide an analysis of whether the current phase of Derogation has enhanced Zimbabwe's opportunities in reintegration
- To provide an in-depth evaluation of Integration Derogation, rules-based trade relations, reciprocation and national sovereignty as they relate to regional and continental integration

### V. CONCEPTUAL FRAMEWORK

Regional and continental integration derogation is not a solution to fixing the inherent macroeconomic weaknesses of a country. Derogation implies more room for a country to reorganise its priorities according to its existing capacities and abilities. Conceptually, the multiplicity of activities undertaken mainly during periods of derogations do not justify the seeking of derogations by countries. Derogations are a delaying tactic to pursue protectionism and retard the process of regional or

continental integration. The question is whether the benefits of given Derogation outweigh the effects of missing out on positive advantages derived from remaining in integration.

The researcher shall study relevant literature and engage experts to extrapolate facts about the subject, particularly the economic analysis of the rationale for integration.

#### Background to Zimbabwe's Application

the prevailing deteriorating macro-economic conditions in Zimbabwe, e characterised by low production capacity; inflationary pressures, coupled with low economic growth rates; shortage of cash, specifically the USD, which has necessitated the existence of a dual-currency system; and so, called sanctions impacting on Foreign Direct Investment and foreign currency reserves justified the request for integration derogation. The application was made in 2017.

#### Trade Deficits?

The last decade has seen Zimbabwe failing to manage the delicate relationship of the trade balance with Zimbabwean exports far less than its imports, resulting in a sustained trade deficit. The country remains a net importer of all critical goods and services. While efforts to promote local procurement and consumption of locally produced goods and services through buy-local initiatives, the country's productive capacity remains constrained, coupled with suppressed quality standards, and the cost of these goods is at its all-time high. Exogenous and endogenous factors have been identified as causes of Zimbabwe's inability to eclipse the trade balance, i.e. reduction of imports and achieving increased manufactured exports. The dependence on primary product exports continues to retard progress in industrialisation, undermining the country's ability to exploit value addition and beneficiation benefits, particularly mining and agricultural products.

Conversely, the most significant percentage of Zimbabwean imports are finished products, giving credence to the perception that the country has turned into a regional supermarket and dumping ground for low-quality products. The World Trade Organisation recognises the existence of Dumping. It allows within its rules, a government to put protective measures to "act against dumping where there is genuine 'material' injury to the competing domestic industry" Anti-dumping tariffs are an option. Ad valorem, specific, variable and lesser duties are generally charged to correct Dumping.

Economists agree that "Improvement in export policy is critical, value addition to exports, market fetching through regionalism and import substitution is essential to manage the trade balance" With this state of affairs, would regional and continental integration be beneficial to Zimbabwe?

#### Top Exports and Top Imports for Zimbabwe 2016

##### Top Exports

- Gold (\$896M),
- Raw Tobacco (\$383M),
- Diamonds (\$206M),

- Ferroalloys (\$163M)
- Nickel Mattes (\$149M),

**Top imports**

- Refined Petroleum (\$1.19B),
- Corn (\$285M),
- Electricity (\$162M),
- Packaged Medicaments (\$158M)
- Delivery Trucks (\$114M).

Source: OCD, 2018

**Top Exports Destinations and Top Imports Origin for Zimbabwe 2016**

**Top Exports Destination**

1. South Africa (\$1.31B),
2. Mozambique (\$267M),
3. United Arab Emirates (\$216M),
4. China (\$134M),
5. Belgium-Luxembourg (\$102M).

**Top Imports Origin**

1. South Africa (\$2.21B),
2. Singapore (\$1.02B),
3. China (\$380M),
4. India (\$170M),
5. Zambia (\$170M).

**Findings and discussions**

Africa union developed a long-term vision, Agenda 2063, to create a coherent Africa capable of self-sustenance, economically, politically and socially integrated. The 2063 agenda is expected "to elucidate critical issues underpinning its successful implementation, ensure its strengths and weaknesses are interrogated, ways of dealing with persisting challenges are crafted. Continental cohesion is achieved through several thematic areas, including the Agenda 2063 and African Integration, socio-economic aspects of Agenda 2063 and the political-philosophical basis of the agenda. There is general acknowledgement that this agenda provides an excellent vision for African countries and African people to consolidate African emancipation. Further, the vision is expected to enhance a broad-based bottom-up participatory approach and advocate for the inclusion and empowerment of all groups of people. Inherent weaknesses still

exist with potential impact "that the agenda 2063 is likely to be confronted by the same or similar setbacks which prevented previous African long-term plans from achieving significant results. These include limited finances, lack of ownership, lack of political will, diverse and sometimes conflicting interests, and lack of ideological backup to sustain the vision" It, therefore, calls for the integrity of leadership to craft adequate measures to overcome these challenges.

An evaluation of agreed SADC tariff modalities

The recent SADC Summit adopted tariff modalities tabulated below that would be used by state parties (those that have ratified) to develop tariff offers. These tariff offers will be the basis for trading goods among the state parties within the SADC FTA.

	Non –LDCs	LDCs	Timeframe: Non-LDCs	Timeframe: LDCs (SDT)
<b>Non-sensitive products</b>	90 per cent	90 per cent	5 years	10 years
<b>Sensitive Products</b>	7 per cent; Subject to Notification and Negotiations;	7 percent; Subject to Negotiations; Method of Negotiation: Request and Offer.	10 years	13 years
<b>Exclusion List</b>	3 percent; Review after 5 years; subject to negotiation;	3 percent; Review after 5 years; subject to negotiation;		
<b>Transition Period</b>				
Tariff phase down shall be in equal instalments, i.e., Linear Approach.				
<b>Supplementary Modality</b>				
Member States may complement the linear approach with the request and offer approach.				

**Variable Geometry**

Member States who wish to make deeper cuts within a shorter period may do so based on reciprocity.

Zimbabwe is developing its tariff offer under Non- LDC countries whereby non-sensitive products (90%) will be phased over 5 years and sensitive products (7%) over 10 years. The remaining 3% will be excluded from liberalisation. The Non- LDC status of Zimbabwe continues to be debatable. The integrity of the argument and statistics used to sustain the argument that Zimbabwe is a Non- LDC country further controversial declaration that Zimbabwe is not a poor country and highly indebted.

For Zimbabwe, the classification of each category in terms of the agreed thresholds are in table 2

	THRESHOLDS	TARGET TARIFF LINES
<b>TOTAL TARIFF LINES</b>		6 377
<b>NON-SENSITIVE LIST</b>	90%	5 738
<b>SENSITIVE LIST</b>	7%	447
<b>EXCLUSION LIST</b>	3% (Not more than 10% of import value from Africa (2014-2016 or 2015-2017))	192

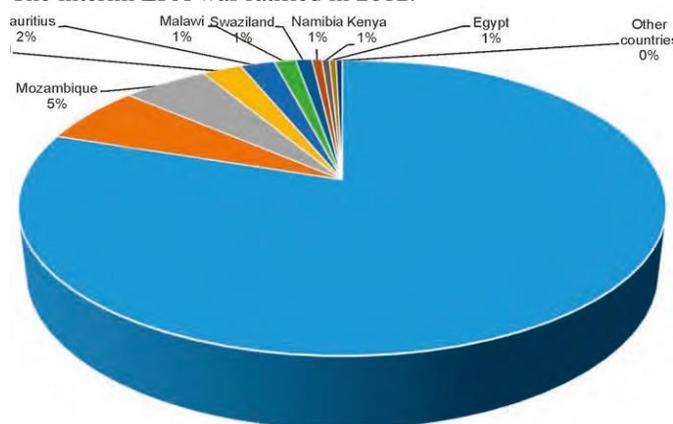
Given its application under SADC, Zimbabwe and six other countries now as the G7 requested its phase period of the non-sensitive products according to the agreed modalities. During the 2019 Summit, all member states agreed to implement this according to the adopted tariff modalities.

According to the CZI in the 2019 manufacturing sector survey, the country's unenviable trade balance is an indicator of a deficiency of country competitiveness. The doing business index provides direction to which the country must take, ensuring prioritisation and streamlining planning for national competitiveness. Supply-side constraints coupled with foreign money shortages weigh heavily on the country's ability to increase manufactured exports. The survey further acknowledges that mineral products, predominantly unprocessed, primarily drive Zimbabwe's exports. Zimbabwe ratified the AfCFTA in March 2019 amid high expectations that the more extensive market shall usher in an opportunity for Zimbabwe to be part of continental value chains. Downstream benefits will incorporate increased productive capacity, quality of products and improved logistics.

Of grave concern to CZI are the big elephants in the living room. The currency issues remain unresolved to date though some levels of stability have been obtaining in the last four months. Huge National debt above 40% of GDP and the country's ability

to extinguish this debt, particularly where the country continues to contract more local and foreign debt, is worrying. Endemic corruption and political polarisation are militating against the country's ability to locate itself at the centre of regional and continental exports growth. Therefore, it gives credence to the proposition that Zimbabwe must invest in national competitiveness rather than seeking repeated derogations.

ZEPARU, in its paper on the assessment of Zimbabwe's trade performance within the context of regional integration, studied the extend of liberalisation and commitments undertaken under various trading blocs, the impact of Zimbabwe's trade policy regime, strengths and weaknesses of local institutions, human capital, and Zimbabwe's capacity to exploit the integration program fully. The country has ratified several bilateral and multi-lateral arrangements commitments, which directly affect the country's competitiveness. Liberalisation under SADC, COMESA, the TFTA, IEPA and the AfCFTA opens up the country to compete whilst its capacity to exploit the more extensive market outside is compromised. Zimbabwe is a signatory to the ACP trade grouping, ratified EPAs under ESA. The interim EPA was ratified in 2012.



**Zimbabwe's import sources from the TFTA countries**

The study concluded that Zimbabwe is currently not competitive due to several factors. These internal factors take the Government to introspect into the broad macroeconomic environment to ensure the necessary policy mix for national competitiveness.

The European Centre for development policy management engaged in a comparative study of ECOWAS and SADC economic partnership agreements.

*"In terms of product coverage, ECOWAS will liberalise 75% of its tariff lines, based on its common external tariff, over a period of 20 years. The list of exclusion covers a wide range of products, ranging from agricultural goods to industrial goods. It is meant to ensure that local industries will not be subject to competition from duty-free products from Europe. Regional unity and strong political leadership have proved very useful"*

*"The SADC EPA negotiating group comprises seven member states. These are Botswana, Lesotho, Namibia, Swaziland and South Africa, as well as Mozambique and Angola. While Angola was part of the negotiations, it did not conclude the EPA. Prior to the EPAs, South Africa's trade was covered by a different regime, the Trade and Development Cooperation Agreement,*

concluded in 1999. South Africa joined the EPA negotiations to improve its market access to the EU and to ensure functional coherence of the Southern African Customs Union (SACU), a customs union, of which it is the largest member. The current market access schedule of the SADC EPA group consists of a single offer for the five SACU countries, based on SACU's Common External Tariff (CET) and a separate offer for Mozambique, which is not part of the SACU. As a group, the SADC EPA group is expected to liberalise 80% of its trade with the EU." The paper concluded that political will is an integral attribute to achieve coherent regional integration. A natural phenomenon is that trade between Europe and Africa has minimal challenges. EU – Africa relationship continues to deepen trade ties, particularly where the EU continues to finance African markets development. According to a technical report by the Southern Africa Trade hub of June 2011, on the impact of derogations from the implementation of the SADC FTA Obligations on intra – SADC trade, Tanzania and Zimbabwe had requested to impose a duty on selected sugar products and a two-year suspension on tariff phase-down schedule category C respectively. The Southern, The SADC Protocol on trade, covers provisions on tariff phase-down

schedules for each SADC Member State, which was o be completed by 2012.

"Article 3(1)(c) of the Protocol states that "Member States that have been adversely effected by the removal of tariffs ... may be granted a grace period to afford them additional time for the elimination of tariffs and (NTBs)."

The paper notes that trade in SADC outside South Africa affected by the derogation request was insignificant, mainly where these derogations are implemented for a limited period. Market access opportunities are insignificantly affected by these derogations, particularly for small economies in SADC. Enforcement and approval of derogations run the risk of compromising trade in SADC because there is hardly an enforceable mechanism to police compliance with Derogation.

For this study, "smaller economies" are countries classified by the World Bank as low-income (GDP of US\$ 995 or less) and as lower-middle-income (GDP between US\$ 996 and US\$ 3,945). Based on this definition, SADC economies fall into the following categories:

**Smaller Economies**

**Low-income**

- Congo, Democratic Rep.
- Madagascar
- Malawi
- Mozambique
- Tanzania
- Zambia
- Zimbabwe

**Lower-middle income**

- Angola
- Lesotho
- Swaziland

**Other Economies**

**Higher-middle income**

- Botswana
- Mauritius
- Namibia
- South Africa
- Seychelles

Source: world bank

Despite the necessity for intra trade derogations allowed in the protocol, tariffs of goods under derogations, among others, the "indexes of revealed comparative advantage," Derogation poses an insignificant impact on overall SADC trade. This is mainly due to country and trade size, the number of products lines affected by

the derogations, availability of alternative product producers in the region, and the period of derogation implementation. The concept of reciprocity is invoked where there is proven deliberate disrespect of the set principles of the protocol.

**Gross Domestic Product Annual Real Growth Rates (%) in SADC. 2009-2019**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Angola</b>	0.8	5.2	4.1	8.8	5	4	0.9	0	0.7	-1.1	-0.9
<b>Botswana</b>	-7.7	8.6	6	4.5	11.3	4.1	-1.7	4.3	2.9	4.5	3
<b>Comoros</b>	3.2	3.8	4.1	3.2	4.5	2.1	1.1	2.3	2.5	3.3	2
<b>DRC</b>	2.9	7.1	6.9	7.1	8.5	9.5	6.9	2.4	3.7	5.8	4.4
<b>Eswatini</b>	1.6	3.8	2.2	5.4	3.9	0.9	2.3	1.3	2	2.4	1.6
<b>Lesotho</b>	2.2	6.7	5.4	6.7	4.2	2.9	2.7	5	-1.3	-0.5	-0.8

<b>Madagascar</b>	-4	0.6	1.6	3	2.3	3.3	3.1	4	3.9	4.6	4.4	
<b>Malawi</b>	7.5	6.9	4.9	-0.6	6.3	6.2	3.3	2.7	5.2	3.9	5.2	
<b>Mauritius</b>	3.3	4.4	4.1	3.5	3.4	3.7	3.6	3.8	3.8	3.8	3	
<b>Mozambique</b>	6.4	6.5	7.4	7.3	7	7.4	6.7	3.8	3.7	3.4	2.3	
<b>Namibia</b>	0.3	6	5.1	5.1	5.6	5.8	4.5	-0.3	-0.3	0.7	-1.1	
<b>Seychelles</b>	-0.2	5.9	5.4	3.7	6	4.5	4.9	4.6	4.4	3.8	4.7	
<b>South Africa</b>	-1.5	3	3.3	2.2	2.5	1.8	1.2	0.4	1.4	0.8	0.2	
<b>Tanzania</b>	5.4	6.3	7.7	4.5	6.8	6.7	6.2	6.9	6.8	7	7	
<b>Zambia</b>	9.2	10.3	5.6	7.6	5.1	4.7	2.9	3.6	3.7	4	1.4	
<b>Zimbabwe</b>	12.6	19.7	14.2	16.7	2	2.4	1.8	0.8	0.8	4.8	2.3	
<b>SADC-Average</b>	0.2	4.5	4.2	4.5	4	3.5	2.2	1.5	2.1	1.9	1.4	

Source: SADC Selected Economic and Social Indicators (2020)

#### SADC (EAP group)

Tanzania was on schedule with its tariff commitments; the Government applied for a Derogation to levy a 25% import duty on sugar and paper products until 2015 in order for the industries to take measures to adjust. Tanzania has requested Derogation for its paper industry to support it in achieving required economies of scale and successfully compete in international markets. Mozambique-Mozambique obtained a derogation on shrimp and lobster. Namibia obtained an automatic derogation of 800 tons for preserved tuna (HS 1604, 0302, 0304).

In COMESA, Swaziland Derogation had been granted not to implement the COMESA FTA in recognition of the fact that Swaziland is required to maintain the Common External Tariff of the Southern Africa Customs Union (SACU)

#### European Integration Experience

Europe underwent a multiplicity of experiences in ensuring the maintenance of a cohesive, integrated group. While Europe is frantically signing up economic partnership agreements with the world, Britain took a bold step to exit the European Union. Brexit is but one of the many integration weaknesses experienced to date, with Britain opting out because of a number of economic challenges the country was undergoing.

The United Kingdom took a position that undermined global consensus that the more integrated countries are, the better the opportunities and economic fortunes for the integration members. A robust internal national conversation on the merits

and demerits of Brexit took place, particularly on areas of economic advantages/ disadvantages, national interest and national sovereignty, benefits accruing to Britain in European union integration and indeed whether London would lower its leaving standards by exiting the EU group. According to Robert Fay (2019) the Integration of Britain into the EU was "never really about supposed European Union control over the United Kingdom or about Britain's inability to set its own destiny without the encumbrance of myriad rules and regulations mandated by the European Union, Rather, it was a lightning rod for an intertwined set of long-simmering issues that have plagued the UK economy: stagnant incomes as a result of languishing productivity growth — it has essentially not risen in a decade — which the chief economist of the Bank of England, Andrew Haldane, notes is "almost unprecedented" in the modern era; the regional divide, in part brought on by trade and deindustrialisation; rising inequality; inadequate funding for welfare programs and the National Health Service; and so on".

#### Europe and Differentiated Integration

Europe continues to debate on the concept of differentiated integration. Despite the drive-by non-member states of the EU to implement "European Union (EU) rules as exemplified by the European Neighbourhood Policy", The certainty of differentiated integration remains in the spotlight. Broadly the concept of differentiated integration involves "opting-out and inducing-in. In the case of opting-out, EU member states can refrain from

adopting EU rules; inducing-in refers to providing non-member states with incentives to adopt EU rules."

On the other hand, some schools of thought believe the European Union is important, albeit with inherent challenges. They believe fixing these challenges is the most optimal option considering the milestones already covered, particularly as it relates to collective effort in confronting the challenges around streamlining EU wide business processes, engendering the digital market, and ensuring the EU union's future economic prosperity region.

Despite the broad criticism, Europe still enjoys the support of 66 per cent of member states. It is a fact that the EU is experiencing substantial challenges, Brexit being one of them. The rise of nationalism and populism has also posed a significant hurdle and collective energies to deal with these is vital. Intra and inter EU trade has fast been growing, and this is credited to managing red tape and bureaucracy. Businesses find this to be critical in facilitating trade and investment. Big data management is also a critical economic management tool necessary for sustainable integration. Countries such as America and China have installed capacity for efficient management of big data by economic players. The EU General Data Protection Regulation (GDPR) gave impetus to the region and has enormous potential to impact trade and investment in the EU positively.

## VI. DEROGATION EXPERIENCES IN THE EU

While in the previous rules of origin, the provisions on Derogation applied only to Least Developed Countries (LDCs), the current rules of origin extend the possibility of Derogation to developing countries. Cyprus requested Temporary Derogation, Cambodia and Nepal Derogation for textile products, Denmark and the United Kingdom. It is a permanent derogation. These states are not obliged to join the European Monetary Union, and Sweden was given temporary Derogation to use the Euro as a domestic currency.

The 2018 Convergence Report covers seven Member States with a derogation, including Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania, and Sweden. Major issues emanating from these derogations include:

**Bulgaria-** currently fulfils three out of the four economic criteria necessary for adopting the Euro: the criteria relating to price stability, public finances and long-term interest rates. Bulgaria does not fulfil the exchange rate criterion, and legislation in Bulgaria is not fully compatible with the Treaty.

**Czech Republic:** currently fulfils two out of the four economic criteria necessary for adopting the Euro: the criteria relating to public finances and long-term interest rates. The Czech Republic does not fulfil the price stability, and exchange rate criteria and legislation in the Czech Republic is not fully compatible with the Treaty.

**Croatia:** currently fulfils three out of the four economic criteria necessary for adopting the Euro: the criteria relating to price stability, public finances and long-term interest rates. Croatia does not fulfil the exchange rate criterion. Legislation in Croatia is fully compatible with the Treaty.

**Hungary:** currently fulfils two out of the four economic criteria necessary for adopting the Euro: the criteria relating to public finances and long-term interest rates. Hungary does not

fulfil the price stability, and Hungary's exchange rate criteria and legislation are not fully compatible with the Treaty.

**Poland:** currently fulfils two out of the four economic criteria necessary for adopting the Euro: the criteria relating to price stability and public finances. Poland does not fulfil the exchange rate and long-term interest rate criterion, and legislation in Poland is not fully compatible with the Treaty.

**Romania:** currently fulfils one of the four economic criteria necessary for adopting the Euro: the criteria relating to public finances. Romania does not fulfil the price stability, exchange rate and long-term interest rate criteria, and legislation in Romania is not fully compatible with the Treaty.

**Sweden:** currently fulfils three out of the four economic criteria necessary for adopting the Euro: the criteria relating to price stability, public finances and long-term interest rates. Sweden does not fulfil the criteria related to the exchange rate, and legislation in Sweden is not fully compatible with the Treaty.

Furthermore, the review of other factors shows that the countries examined are generally well integrated economically and financially in the EU. However, some of them still experience macroeconomic vulnerabilities and face challenges related to their business environment and institutional framework, which may pose risks for the convergence process's sustainability.

Regional Economic Communities in Africa

Continental Integration is REC driven. The Tripartite is a cooperation of SADC, COMESA and EAC (The Common Market for Eastern and Southern Africa; the East Africa Community and the Southern African Development Community). According to EAC, the Tripartite Comprises of 26 member countries were formed to accelerate economic integration for the Eastern and Southern African Region people. EAC further highlights that the tripartite supreme objective is to contribute to the African Union's broader objectives that are accelerating the continent's economic integration and achieving sustainable economic development leading to poverty alleviation and improvement in quality of life for the people of the Eastern and Southern African Region. Despite the Tripartite Integration's weaknesses, it instructed the formation of the AfCFTA. Lessons learnt from this initiative guided the creation of the continental integration initiative. Africa has 8 Regional Economic Communities (RECs) and sub-regional bodies, which are the building blocks of the African Economic Community established in 1991 by the Abuja Treaty. The Treaty provides the overarching framework for continental economic integration.

- The Arab Maghreb Union (AMU/UMA) External Link in the north,
- The Economic Community of West African States (ECOWAS) External Link in the West,
- The East African Community (EAC) External Link in the east,
- The Intergovernmental Authority on Development (IGAD) External Link also in the east,
- The Southern African Development Community (SADC) External Link in the south,
- The Common Market for Eastern and Southern Africa (COMESA) External Link in the southeast,
- The Economic Community of Central African States (ECCAS) External Link in the centre, and

- The Community of Sahel-Saharan States (CEN-SAD)  
External Link in the north.

**Source: African Union**

The foundation and Building Blocks for the African Union are its RECs principally to constitute economic integration capacity in Africa. However, they are also key actors collaborating with the African Union (AU) to ensure peace and stability in their regions (AUC). Further, the RECs have been central to various transformative programs of the continent, including the New Partnership for Africa's Development (NEPAD) adopted in 2001 and the AU's Agenda 2063 adopted by its Summit in January 2015. The First Ten-Year Implementation Plan was adopted by the 25th Summit of the AU heads of state and Government in June 2015.

Whilst peace and security are paramount in continental economic development, "RECs have the immense challenge of working with governments, civil society and the AU Commission in raising the standard of living of the people of Africa and contributing towards the progress and development of the continent through economic growth and social development."

## VII. RECOMMENDATIONS

Regional and continental integration in Africa is a "nice to have". Macroeconomic conditions of member states vary. African countries have varying levels of Vulnerabilities caused by international factors and by local factors. These vulnerabilities are the basis for the complexities in regional economic relationships among countries in Africa. State leadership in creating developmental states in Africa is weak, particularly with the prevalence of politically induced uncertainty rising. African leaders are vulnerable to strong national institutions in their states. They believe in creating strong men and women who are politically sensitised to safeguard and consolidate their leadership political power at all costs. The study, therefore, elaborately exposes several weaknesses in African states governance systems leading to the below recommendations:

1. Seeking Derogation in regional and continental integration acknowledges that Zimbabwe has a deficiency or a gap in readiness to implement agreed integration milestones. Countries in Africa, Zimbabwe included, have a general tendency of ascending to agreements to which they are not bound. It is therefore essential to avoid signing up to these multi-lateral and bilateral arrangements when the conditions in the country are suboptimal to comply with and not in the country's best interest.
2. Dependency on taxation alone demonstrates the lack of fiscal innovation by Zimbabwe. Whilst rationale taxation is acceptable; Zimbabwe continues to destroy the ability of productive sectors to create trade-related capacity because they are overtaxed. To achieve optimal growth, streamlining tax heads in line with desired economic growth targets has a knock-on effect on voluntary tax compliance, simplifying revenue collection and eradicating corruption.
3. The creation of local infrastructure for trade and industrialisation increases national competitiveness. Deploying resources to achieve national productivity

naturally sets up the country for regional, continental and global competitiveness. The overall national aspiration (vision 2030) is to create economies of scale to satisfy the demand of the bigger market.

4. National stakeholder participation in designing solutions to matters affecting economic activities is crucial for holistic buy-in and ownership. Zimbabwe Government tends to govern by divide and rule, resulting in restrictions to national coherence. Economic players, academia, labour and civil society are development partners in a nation and our partners to the Government of Zimbabwe. They play a significant role in ensuring checks and balances on the state and facilitating operationalisation of government policies at local, regional and continental levels. Public-private dialogue (PPD), though very weak in Zimbabwe, plays a vital role in facilitating collective efforts to achieve defined national targets.
5. Human capital development strategies answer the question of relevant skills mix to achieve set national economic goals. Among countries that invest in education, entrepreneurship, and innovations, Zimbabwe has harvested from huge banks of knowledge relevant solutions to national economic, social, and political challenges. Sadly, Zimbabwe national leadership is intimidated by highly trained and educated people, particularly in business and politics.
6. National introspection is necessary to ensure the integrity of national economic statistical data for futuristic planning and candid evaluation of the existing economic macroeconomic conditions. Like many Countries in Africa, Zimbabwe survives on perennial denial of their inherent national macroeconomic and political problems, are prone to repeated derogations because national economic data is inaccurate to give impetus to objective decision making. Robust structural transformation is necessary to warrant the harmonisation of industrialisation and trade strategies. Synchronisation of trade and industrial policies is imperative for economic convergence.
7. A whole government approach to the development of an economic marshal plan is an immediate necessity. Competition for individual or sectorial recognition dampens role clarity, complementarity and support in meeting desired national economic objectives.

## VIII. CONCLUSION

The paper qualitatively argued that Zimbabwe, despite the derogation requests, has weak economic fundamentals necessary for effectively exploiting regional and continental opportunities. The country will emerge weaker if all pre-requisites of the SADC FTA, COMESA and the AfCFTA genuinely implement the tariff phase particularly down. No direct benefits are accruing to the country due to the introduction of the bigger market precisely because Zimbabwe has no installed capacity for value-added exports, is a high-cost producer in the region, and has shallow product standards, among other weaknesses.

For Zimbabwe, Regional Integration is not purely an economic phenomenon. Historically, the country has failed to harmonise and domesticate regional policies and laws to facilitate a smooth integration. Further, the country cannot respect its own laws particularly on property rights, rule of law and commitment to existing bilateral and multi-lateral arrangements. No meaningful progress has been made in improving ease of doing business despite the rhetorical and hollow open for business mantra. Like most African countries, weak economic governance institutions in the country are militating against concerted efforts to boost investor confidence and achieve inclusive growth. The effect of the SADC Tribunal is a case in point.

The current regime of national policies has led to the destruction of critical productive assets in mining, manufacturing and agro-processing, particularly where fiscal and monetary instruments lead to erosion of investments, savings and confidence. This state of affairs makes the country uncompetitive and unsuitable for any integration efforts because of the uncertainties surrounding payment systems and the valuation of assets.

The existing derogations have not helped the country because macroeconomic conditions have not improved to have a knock-on effect on regional competitiveness. The country continues to miss out on all macroeconomic targets. The transitional stabilisation policy reports significant shortfalls in achieving its intended objectives save for the recent currency and exchange rate stability. Capacity utilisation in the manufacturing sector is likely to reduce further according to the 2019 CZI manufacturing sector survey; disinvestment in the mining sector continues as evidenced by the Karo resources platinum project stagnation, supply-side constraints remain a severe threat to company survival, and the national debt is at its all-time high. The country will potentially seek a further extension due to a lack of preparedness.

The Zimbabwe economy is not as complexly diversified. Drivers of growth are few, with the mining sector occupying the lead position in the previous financial year. Trade-in services are driven by tourism, for which product has been negatively affected by the covid19 pandemic. No New growth nodes potential currently exists. It, therefore, translates to potential negative growth beyond 2021. Any future attempts to reintegrate beyond the current derogation period will not be positive unless wholesome changes are undertaken to improve national competitiveness.

Bold reforms are needed in African Integration. African countries dislike the concept of rules-based economic engagements. Committing to economic integration agreements remains academic, particularly where their rhetoric of protecting national interest. Zimbabwe falls in the same category and risks other countries invoking reciprocity to counter the effects of bad domestic economic policy. The use of statutory instruments in the last two financial years has seen the removal of several products from the Open General Import Licencing, affecting most products in SADC FTA protocol. Belonging to many different trade blocs complicates the implementation of trade requirements. WTO rules on most-favoured-nation (MFN) unlocks market access in all bilateral and multi-lateral arrangements by Zimbabwe. This has the likelihood to weaken the fluidity of regional integration. Cherry-picking preferred and favourable trading regimes in either

COMESA, SADC and the EU may induce instability in complying with trade requirements, particularly when Zimbabwe continues to undergo inherent macroeconomic challenges due to bad economic governance. The paper has managed to provide an in-depth evaluation of Integration Derogation, rules-based trade relations, reciprocity and national sovereignty related to regional and continental integration.

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## AUTHORS

**First Author** – Oswell Binha (PhD Student), [binhao@africau.edu](mailto:binhao@africau.edu), Africa University, College of Business Peace Leadership and Governance Institute of Peace, Leadership and Governance Course in Global Governance and Integration  
**Second Author** – Kudzanai Mwakurudza (Economic Analyst)

Pa2md@oracsystems.co.zw